



Project Development Inter-Office Memo

To: Project Managers
PreConstruction Engineers
Region Directors

From: Jim McMinimee, Director
Project Development

Date: September 15, 2005

Re: Engineering Estimate Reviews

This memo is to clarify concerns and misconceptions that have been raised about the review process. The highway industry has experienced escalating construction costs. These escalating costs have sometimes resulted in low bids that are substantially higher than our engineer estimates. In response to these problems, UDOT instituted a central review of Engineer Estimates (EE). Project Development has been asked to conduct these reviews. Howard Anderson and Steve Anderson will review all project Engineer Estimates prior to advertising.

Project Development has received many comments from the Regions concerning the EE review process. The purpose of this review is to insure that we have a realistic EE and to eliminate situations where the Department EE is the low bid. Bid results closely clustered near the EE demonstrate that UDOT has an accurate estimating process. Our credibility is damaged when we have inaccurate estimates. UDOT's goal is to produce accurate EE that reflect realistic prices, quality plans, and defined scopes.

Project Managers are responsible for total project cost estimates. Project budgets account for every cost attributed to that project. Contingency is one of those costs. Each project needs to come up with a project specific contingency to cover the uncertainty of costs at bid time and any change orders that occur during construction. The contingency amount is normally 10 percent of the Commission Approved Amount. The contingency amount is calculated as the difference between the Commission Approved Amount for the project and the grand total estimate for the project. The grand total estimate for the project includes everything required to design and build the project such as the Right of Way; Environmental Documents; the Preliminary, Design, and Construction Engineering; and the project bid items.

Any EE that brings the total project cost estimate within 10 percent of the Commission Approved Amount (CAA) will be flagged for further review. Steve Anderson or Howard Anderson will contact the Project Manager with concerns and specific items that need to be evaluated or adjusted. The Project Manager has the responsibility to decide if they want to adjust items, delete items, or go through the process of adding more money to the project. For Maintenance projects, Safety Spot Improvement projects, and any other program type projects, the Region contacts the appropriate program manager and makes adjustments to the funding prior to advertisement. The normal expectation for a program type project contingency is 10 percent of the programmed amount. The normal contingency for regular projects is specific to the project

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and depends on the judgment and experience of the Project Manager and the complexity and type of project. The review will require an explanation when the contingency is less than 10 percent of the CAA.

Local Government Projects will follow the same guidelines for contingencies. The Regions need agreement from the Local Government to pay additional project costs when exceeding the CAA prior to advertising.

If Steve, Howard, and the Project Manager cannot agree on unit bid prices or a project specific contingency, they will elevate the discussion to the Region Director and the Director of Project Development. They will review and decide how to proceed.

There are additional tools that are useful. UDOT has recently refined the PDBS price comparison report as a tool to check estimates. This report shows how individual project items and the overall project estimates compare with the database. Different filters can be used to investigate specific prices. For the purpose of Project Developments review, 2004 and 2005 prices are used in PDBS due to the sharp increase in some items. Another tool is the consultant pool constructability review. Items such as lump sum and specialty items are not handled well with a unit price review. If projects have lump sum or specialty work, consider a constructability review. A constructability review can help gain a better understanding of project costs on large complex projects.

Project Development is committed to complete the review within 72 hours to alleviate concerns that this review time is not accounted for in ePM. Steve and Howard have been meeting this time frame consistently and will work with you when there are time constraints. Plan for the appropriate review time.

I've tried to be as clear as I can with regards to this issue, but please feel free to contact me if you have any questions or concerns (801) 954-4022.

CC: Carlos Braceras, Darrell Giannonatti, Char Mitchell, Kristi Urry, Stan Burns, Fred Doebling, Brett Hadley, George Deneris, Howard Anderson, Steve Anderson